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INTERNATIONAL DIVISION OF LABOR IN THE SOCIALIST WORLD SYSTEM

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## FOREWORD

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INTERNATIONAL DIVISION OF LABOR IN THE SOCIALIST WORLD SYSTEM

- Czechoslovakia -

[Following is a translation of the debate contributions of various economists presented at a conference on problems of the international division of labor, held in Liblice, Czechoslovakia, 12-14 December 1957, as subsequently published in the Czech-language booklet Mezinarodni delba prace v socialisticke svetove soustave (International Division of Labor in the Socialist World System), Prague, 1958, pages 64-116. The chief report of the conference, that given by Docent Vladimir Kaigl, director of the Economic Institute of the Czechoslovak Academy of Sciences, is not included.]

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After World War II Marxist economists found themselves confronted by the important problem of studying the laws of the origin and evolution of the world socialist system. What is the world socialist system? What are its characteristics?

The world socialist system means that there exist a number of countries where the socialist revolution has won, where government by the working people was instituted, with the workers' class led by the Marxist-Leninist party at its head, where there is collective ownership of the basic means of production, and where socialist and communist society is being progressively established through the development of a large industry, gradual socialist transformation of agriculture, and improvement of the standard of living of the people. The world socialist system, moreover, means broad economic cooperation between the socialist countries and rational division of work among them.

The socialist countries cooperate on the basis of full equality, common advantages, and mutual comradely assistance. Their cooperation plays a leading role in strengthening the political and economic independence of each socialist country and in strengthening the socialist community as a whole. The close unity of the socialist countries is conditioned by the fact that they started together on the common road to socialism; that their socio-economic system and

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state power are based on the same class foundation; that they need mutual aid and support; that they have common interests and aims in the fight against imperialism and for the victory of socialism and communism; and that they share the Marxist ideology. The declaration of the Moscow conference of the delegates of Communist and labor parties of the socialist countries (in November 1957) states that in "the present situation the consolidation of the unity and brotherly cooperation of socialist countries and the uniting of the international democratic labor movement toward self-determination are especially important" and that "the socialist countries will continue to enlarge and improve mutual economic and cultural cooperation."

The creation of a world socialist system, its evolution and victory are historically inevitable and objectively necessary. The same objective necessity is the cooperation of the socialist countries.

Objective Laws of the International Division of Labor

The socialist revolution wins in an epoch of imperialism when capitalism has been transformed into a world system, when there exists a world capitalist market and a developed international division of labor. The capitalist international division of labor evolves under the influence of capitalist economic laws, and is the direct result of the concentration of production and monopolies, of technical progress and of the development of the collective character of production. The world capitalist market and capitalist division of labor have their peculiarities, expressing the basic antagonistic contradictions of capitalist society which can be swept aside only by abolishing capitalism. The international capitalistic division of labor means the unequal evolution of individual countries, the control and exploitation of colonial countries by the main bourgeois countries, a severe competition between countries and world monopolies, and imperialistic wars as means to grab markets. International capitalistic division of labor in the epoch of imperialism leads to the division of the capitalist world and markets between the main countries. This division of labor is at present the main obstacle to the development of productive forces and a means to oppress many countries.

Socialist revolutions in many countries disrupt the world capitalist economic system, narrow the world capitalist market, lead to the creation of a world socialist economy, a world socialist market, and international socialist division of labor. The process of the creation of a world socialist market and the division of labor is historically conditioned and is perfected in the course of socialist development. Every country which starts developing a socialist economy, just as the world socialist system, is confronted at the beginning of its course with the disruption of the old capitalist world connections. Experience shows that in most cases it is not possible to preserve these connections. Many have become

disadvantageous; they had an enslaving character and lost their importance. On the other hand, capitalist countries in their blind hatred of socialism did not want to keep their connections with socialist economy, boycotted it, and did not want to preserve the previously created division of labor. The socialist countries -- the world socialist system -- had to organize economic relations among themselves and develop an international socialist division of labor. At the same time, the boycott of the capitalist countries helped the rapid organizing of a socialist world market. The high degree of capitalist division of labor compels the socialist countries to seek close collaboration immediately after the victory of the socialist revolution. In the course of building socialism objective factors begin to be felt which hasten and deepen the international socialist division of labor. Socialist nationalization which occurs in all countries building socialism provokes a tendency pointed out by Lenin -- "the tendency to create a unified international economy as an entity according to a common plan controlled by the proletariat of all nations, a tendency which appeared quite clearly under capitalism and which undoubtedly will further evolve and culminate under socialism."

The effect of the world socialist economic system and the division of labor among socialist countries are determined by objective economic laws of socialism. The means to the general development of socialist production, aiming at maximum satisfaction of the needs of the members of socialist society, strengthening of a planned national economy, and increased labor productivity, that is, means to fulfill the demands of the economic laws of socialism, are technical progress, production specialization, its concentration, the creation of gigantic production tools, and the development of a collective character of production. These economic traits, which are closely related and which form the material basis for the division of labor in the society and among individual nations, develop more fully under the influence of socialist production relations, more universally and rapidly than under capitalism, and do not lead to the antagonisms and economic crises which are unavoidable under the domination of private ownership of the means of production and the exploitation of man by man.

Lenin demonstrated that the development of technique, of the socialization of production, and of the division of labor is infinite in its substance and that division of labor is always accompanied by a territorial division of labor. If the division of labor is not developed, local barriers lead to complete isolation from the rest of the world, but an expanding division of labor abolishes the barriers of local markets and leads to the creation of a universal market and to international cooperation. The facts of the evolution of socialist countries bear out these theoretical theses.

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The concentration of production and development of new progressive techniques advance more rapidly under socialism than under capitalism. The share of large enterprises (according to the number of workers) with over 500 workers was in 1947 in the USA, 45.9 percent, 41 percent in the United Kingdom, and 69.6 percent in the USSR in 1950. The share of still larger plants with over 1,000 workers was in the same year 28 percent in the United Kingdom but 56.5 percent in the USSR. Large plants concentrate the specialized, technically most perfect production which must develop in harmony not only with the production of other plants in the same country but with international cooperation. This is demonstrated very well by the example of electricity producing plants. It is a well-known fact that isolated individual electric power plants are an economic absurdity and that electric power plants are currently being combined into systems which cover bigger and bigger territories. The USSR builds the biggest energy producing systems, and their full coordination is planned for the future. The energy-producing system of the European USSR, which is being built in the Sixth Five-Year Plan and will cover a vast territory, will produce about half of all Soviet electric power and will combine the systems of the South Center, and Urals with the gigantic hydroelectric plants on the Volga -- the Kuybyshev and Stalingrad plants. Electrification and the progress in technology and mass production that it brings about require a planned organization of work in the entire country and between countries. Lenin wrote on this subject: "It is my opinion that both from the theoretical and the practical propaganda points of view it is most important to state the thesis (and in any case treat the subject more extensively in Communist literature) that modern progressive technology urgently requires the electrification of the whole country as well as of a number of neighboring countries according to a unified plan." It is quite logical that Czechoslovakia, Hungary, the GDR (German Democratic Republic), Rumania, and Bulgaria successfully cooperate in use of energy-producing systems.

Other examples of the economic necessity of international division of labor and mutual cooperation of socialist countries can be mentioned. The task of making full use of the great specialized metallurgical plants in the USSR, the GDR, Czechoslovakia, Poland, and Hungary is a task which transcends national scope because it requires cooperative planning among the countries of the socialist camp in the field of metallurgy. Only on the basis of collective use of the ferrous ore and fuel resources of the USSR and European people's democracies can these countries successfully solve the foundry problem. Complex exploitation of huge hydrodynamic resources like the Amur or the Danube which would be in keeping with modern technical achievement is unthinkable without international cooperation. The building of transport centers, made necessary by the expansion of production, also became an international affair in many

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cases. As the best example we can cite the construction of the Aktugaj-Djungar Gate-Urumchi-Lanchow railroad which is being built in friendly cooperation between the USSR and the Chinese People's Republic. We can positively declare that the development of mass production and modern technology leads the way to international socialist division of labor. If the Soviet earth satellites, which for their existence need cosmic space, are the symbols of the newest technique -- the technique of the future -- it becomes quite evident that it is inevitable and important for entire branches of national economy to transcend the frame of national states and to enter the stage of international division of labor and that it is necessary for our countries to cooperate willingly in the historical task of building socialism and communism.

Planned Organization of International Division of Labor

The creation of socialist ownership and the development of the collective character of production in the people's democracies make possible and in fact require a planning of national economy in which international division of labor is the basis for planning economic relations and the cooperation of socialist countries. Planned international division of labor is one of the basic characteristics of the socialist world system. In planning international relations one proceeds from the tendencies of the evolution of international division of labor which develop in accordance with the requirements of economic laws of socialism, from the task of socialist organization, determined on the basis of studying objective economic laws. Planning is again a powerful lever for the creation of rational economic contacts between countries of the socialist camp. If we plan the delivery of machines and equipment from the USSR, Czechoslovakia and the GDR to countries which are developing their industry, of the oil products of the USSR and Rumania to socialist countries which do not have their own crude oil industry, of the products of southern agriculture from Bulgaria, Rumania, and Albania to the USSR and the GDR -- all this planning of contacts between nations stems from a division of labor which is based on history and highly useful. If the USSR and other socialist countries help the Chinese People's Republic in accordance with obligations of socialist international assistance, they help to develop her economic potential and to link into the economic circle the rich Chinese natural resources; all this in turn creates planned new production sources and new international relations between socialist China and European and Asian countries. These new relations based on powerful production resources will in turn have a favorable effect on the development of countries friendly to China.

When planning international division of labor, the basic trends of the international division of labor are set to ensure a general development of each country and its national independence, and the extent of interstate cooperation of the individual branches of national

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economies is determined as well as the general volume of the world socialist market. We must point to the continuous development of the world socialist market, the absence of crises and the stable and not accidental character of the relations between countries and production branches. The most general figures show the following:

Growth of National Income and Turnover of International  
Trade of Some Socialist Countries (in percent)

	National Income	Turnover of Foreign Trade
USSR (1938-1956)	400	500
China (1952-1956)	144	168
GDR (1950-1955)	162	280
Rumania (1948-1955)	250	285
Bulgaria (1949-1955)	193	198

The existence of the international socialist system makes the turnover of foreign trade grow faster than national income; in other words, international division of labor develops more rapidly than material production in general. During the period when the USSR was the only socialist country and when capitalist countries traded with her only reluctantly, and for the most part boycotted her, the dynamics of the growth of national income and foreign trade was considerably different from the present situation. In 1938 the USSR's national income was five times that of Russia in 1913, but the turnover of foreign trade was less than one third the prerevolutionary figure. The above figures show that before the evolution of the socialist world system the USSR developed in isolation and there was no question of an increase in international division of labor.

In general it is possible to judge the rapid development of the world socialist market from the fact that in 1955 the volume of foreign trade of the socialist countries was more than 2.5 times higher than in 1948. For the most part this turnover is between the socialist countries.

The stable and firm character of relations on the world socialist market is also demonstrated by figures on the composition of the turnover of foreign trade. Let us take figures from the USSR.



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The Most Important Items in Soviet Export and Import  
(in percent of total)

<u>Export</u>	<u>1938</u>	<u>1950</u>	<u>1954</u>	<u>1955</u>
Machines and equipment	5.0	16.3	21.5	22.1
Oil and oil products	7.8	1.5	4.2	6.4
Metals	1.6	12.6	18.2	15.2
Wood	20.1	2.9	3.6	4.7
Cotton	1.9	11.7	12.1	11.3
Grain	21.3	18.5	12.2	10.3
<u>Import</u>				
Machines and equipment	34.5	27.1	32.6	33.0
Metals	25.9	9.3	5.8	5.3
Mass consumption goods	4.8	16.3	21.2	19.0
Textile raw materials	9.7	5.7	6.8	5.4

After the war the composition of Soviet exports and imports changed considerably in comparison to the prewar situation, and also thanks to planned foreign trade with people's democracies this composition became stabilized and shows the continuity of economic relations between countries of the socialist economic system.

In planning the international socialist division of labor, the most important criterion of its effectiveness is the increase in labor productivity in all cooperating countries -- a maximum of labor saving in all phases of extraction and treatment of raw materials up to the finished product. A major role is played by the correct use of natural resources and geographical environment. Obviously it is more profitable to mine rich iron ore in Krivoy Rog than in small deposits with a lower iron content, but the favorable influence of the climate of the Kazanlik Valley on vinestock and roses cannot be matched in the cold region around Moscow.

The evolution of specialization and cooperation had major importance for the increase in labor productivity. In his report to the Central Committee of the Communist Party of the Soviet Union at the 20th Congress, Comrade Khrushchev said: "It is no longer necessary for each socialist country to develop all branches of heavy industry, as the USSR had to do when for a long time she was the only socialist country surrounded by capitalism. Now with the powerful friendship of socialist countries and with their security and means of defense based on the industrial strength of the entire socialist camp, every European people's democracy can specialize in the development of those branches of industry for which she has the most favorable natural and economic conditions. This at the same time creates the necessary conditions to make available large means for the development of agriculture and light industry so as to satisfy more and more fully the material and cultural requirements of the nations."

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Planned division of labor among socialist countries is put into practice on the basis of coordinated economic planning. We often hear that the main form of economic relations among countries of the socialist system is foreign trade, and that coordination of planning is the new form now being developed. But we cannot separate one from the other. Foreign trade is planned in close relation with the entire national economy. To have a foreign trade more or less independent of economic planning is possible only in very limited cases -- only from reserves and stocks. The USSR is delivering complete equipment to 478 plants, including 211 plants in China, 72 in Poland, 56 in Rumania, and 39 in Bulgaria. It is not possible to manufacture so much equipment without previous planning. All tasks in the production of machines are assigned to plants, and production for export constitutes a major item in the financial and industrial plans of many factories. But the installation of Soviet equipment in China, Poland, Rumania, and Bulgaria cannot be carried through and the equipment put into operation haphazardly, without a plan. On the contrary, the construction and exploitation of plants delivered by the USSR is an important part of the economic plans of the countries importing the equipment. Every socialist country determines the export and import contingents according to plans which are an organic part of her over-all economic plans. The practice of planning economic relations between socialist countries influenced the methodology of elaborating economic plans and of verifying their application and the organization of work planned. In planning the budgets of the most important types of production, such entries as import from and export to socialist countries are now taken into account. The importance of the foreign trade balance of payments and foreign exchange has grown. In balancing national income it is now necessary to take foreign trade into account.

The coordination of plans means for the most part coordination of long term plans. To create a rational division of labor and international economic relations takes time, and the necessary measures can be planned and put into effect over a period of years, that is, during the implementation of the long term plans. When the directives for the Soviet Sixth Five-Year Plan and the long-term plans of the people's democracies were being set, a lot of work was done on coordinating the five year plans and certain experience was gained which must still be studied and perfected. While coordinating long-term plans, the economists, engineers and other experts of the socialist countries got to know better the resources of the allied countries and the economics and technique of their main branches of industry. They worked out the methodology of setting the most important balance sheets and gave many useful suggestions to improve the planned projects. All the work connected with the coordination of plans was after all conditioned by the requirements of the objective laws according to which the world socialist system is evolving. The coordinated projects have been the basis for the grandiose expansion of socialist economics.

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The Plan of Development of Some Industrial  
Branches of the Socialist Countries by 1960

	1955	1960	1960 in % of 1955	USA 1960
Iron ore production (in millions of tons)	46	80.5	175	69
Steel production (in millions of tons)	62	102.5	165	104.5
Coal production (in millions of tons)	880	1350	154	479
Electric energy production (in billions of kilowatt-hours)	260	490	188	684

What is remarkable about these figures is not only the rapid increase but also the absolute figures, which for metallurgy in 1960 will reach the present level of USA production, and for coal production will exceed it.

Like all socialist planning, coordination of the economic plans of the socialist countries does not end with the drafting of plans; that is only the beginning. After the prepared plans are coordinated it is necessary to coordinate their implementation, which is much more difficult. Planned cooperation cannot work haphazardly, without solving the complex problems which crop up during the carrying out of the adopted plans. We must not forget that the people's democracies are still in a transitional period from capitalism to socialism and that socialist changes and socialist planning are being carried out under conditions of severe class struggle. The Hungarian events have demonstrated that class struggle can reach the most severe forms and can have a strong influence on the country's economy. It is necessary to remember that the world socialist system exists next to the world capitalist system and that these two systems influence each other. When plans are drawn it is not possible to foresee exactly the results of this influence. Over many years, experience in planning has shown that it is possible to make mistakes by setting either too low or too high targets. These mistakes are found and can be corrected in the course of implementation. Planning, including the planning of economic relations between socialist countries, must be done consistently and must be improved on the basis of practical carrying out of the plans; possible disproportions and failures in the evolution of the socialist system must be prevented in time and the people educated to a planning discipline and to responsibility for high quality and exact fulfillment of the orders of every allied country.

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The most important task of the planners and scientist-economists in the USSR and the people's democracies is the coordination of overall economic plans for 15 years. At the Eighth Congress of the CEMA (Council for Economic Mutual Aid) in June 1957, a coordinated elaboration of economic plans for 10-15 years in member countries of the CEMA was decided upon. At the Supreme Soviet meeting honoring the 40th anniversary of the October Revolution, Comrade Khrushchev made public the basic figures of Soviet industrial growth for the next 15 years. According to these figures, key branches of industry will increase their production by two to three times and the Soviet State will in the next 15 years not only reach but surpass the present volume of production of the most important industries in the USA. As for agriculture, the USSR is getting good results in trying to overtake the USA in per-capita production of meat, milk, and butter. Unquestionably, other socialist countries will also set themselves splendid targets in their general plans. There is no doubt that the world socialist system in a historically short period will catch up economically with the main capitalist countries, will overtake them, and in peaceful competition with the capitalist system will bring about the final victory of communism. The most important factor in attaining this historical victory is to unite the forces and the means of the socialist camp.

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Science and especially economics have places of honor in carrying out a planned and rational division of labor among the socialist countries. But hardly anyone can be satisfied with the work done up to now by the scientist-economists on the study of the world socialist system. The main task lies ahead. It would be possible to take advantage of the meetings of economists from many countries to exchange ideas on questions which should be studied in detail. In our opinion the following questions should be considered:

The laws of the origin and evolution of the world socialist system;

The advantages of the socialist economic system as compared to the capitalist system;

The economic effectiveness of international cooperation between individual branches of national economies;

Methodological points of coordination of the general plans of the socialist countries;

The effect of the law of value and its use in economic relations between countries of the socialist camp;

Peaceful coexistence and ways to broaden economic relations between the capitalist and socialist economic systems.

Some of these questions have already been raised. It seems that the time has come to stress more actively the theoretical problems which touch the vital interests of the entire community of socialist countries and which the economists must study.

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Dr. KARL MORGENSTERN

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We welcome the initiative of the Czechoslovak comrades who embarked upon working out and coordinating the solution of theoretical problems of the socialist international division of labor. This line is particularly important both economically and politically.

The widening and planned development of the socialist international division of labor is a pressing objective demand which stems from the relations of production means and requirements and the requirements of socialist production relations. At present the production means are lagging behind the socialist production relations. But the socialist production relations (in the sense of furthering planned comradely relations of socialist producers in socialist countries) must also develop further in order to let the production forces grow more rapidly through planned expansion of the international division of labor. The sooner we all recognize the full importance of this fact, and draw the necessary and today possible conclusions, the quicker will be the development of individual countries and of the entire socialist camp and the closer will be the relations and friendship between the socialist countries. The victory of socialism over capitalism depends on this to a great extent. In the GDR we share comrade Kaigl's opinion on many questions brought up in his report to this conference. First, I should like to mention the correlation of further industrial development of the GDR with the creation of an international socialist division of labor. This correlation, which has special meaning for the GDR due to the fact that Germany is divided, demonstrates the necessity of a planned widening of socialist international division of labor for the progress of national economies and of individual countries, especially the small and medium-sized ones.

The gross industrial production of our republic has increased very slowly in recent years (6-7 percent per year), and this will continue until 1960. Because of the German situation (the necessity for the GDR to gain superiority over West Germany in the general standard of living, which is important for the entire socialist camp) this pace of growth is too slow. Some essential conditions and determining factors for quickening the pace of development are closely related to the division of labor among socialist countries.

For instance, an important reason for the slow increase is the inadequate supply of raw materials, especially in the metallurgical industry, which is a consequence of the division of Germany.

While on the territory of the present GDR about one third of the total metallurgical output was produced (e.g., production of tooling machines constituted 37.9 percent, production of the fine mechanisms and optics industry 33.1 percent, black coal mining and production of iron and steel were for the most part located in West Germany. The Ruhr was the base of heavy industry for all of Germany. If we take the territories of both German states in their 1957 frontiers (including the Saar), in 1936 the territory of the GDR had only 2.3 percent of

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the black coal production, 5.1 percent of the iron ore production, 15 percent of the foundry production, 15 percent of the industry manufacturing iron and steel products, and 9 percent of the iron and steel production. The production of crude iron represented 1.3 percent and of steel approximately 7 percent. A total of 32 percent of the machine production of the plants located on the territory of the present GDR constituted the major part of the production means of the B industry group; for instance, there was 50 percent of the production of textile equipment. In individual branches of industry also, severe difficulties were created by the division of Germany. In 1936 on the present territory of the GDR more than one third of the automobiles was produced, but the percentage of the supply sub-industries was much lower.

The territory of Central and East Germany had an average of only 14 percent of such important supplying sub-industries as the production of electrical parts, valves, pistons, car bodies, and glass. The same disproportions arose in the textile industry. The imperialists hoped to weaken or even prevent socialist reconstruction of the GDR by embargo. But the most severe shortages of raw materials were overcome by the efforts of the working people of our country and the comradely help of socialist countries, especially the USSR. In spite of that, we still feel a serious shortage of raw and other materials. This shortage will be overcome one day by our own stepped-up efforts aimed at an expansion of the production of basic materials.

Until 1960, about half of the industrial investments will be devoted to increasing electric power output and coal production. But because of unfavorable natural conditions our republic will still depend to a large extent on imports of raw materials. For this reason the necessary stepping up of the pace of development depends very much on increased production of raw materials in other socialist countries, particularly the USSR and Poland.

Another question is what is manufactured from the material and how the production is proceeding. There lies a further close relationship between the industrial development of our country and other socialist countries. Our machinery industry neither was nor is specialized enough. Capacities were scattered and too many types of products were manufactured, which means that the production series were small and costs high. Also, those machines and aggregates for which favorable conditions exist are always manufactured. In the frame of international specialization our machinery industry will concentrate particularly on the production of more elaborate and very complicated machines and tools. We are compelled to do this by the raw materials shortage, and moreover we have the necessary conditions (labor, etc.) for this kind of production.

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But it will be necessary to continue also some types of production which make great demands on material (e.g., foundry and mining equipment) and even increase it because we need the production capacities. The concentration on more elaborate and complicated products which leads to a change in the structure of the machine industry in this direction is not in conflict with the socialist industrialization of less developed people's democracies. In those countries also, the production of such items is developing, but very often the conditions are lacking for a greater production of very complicated mechanisms. It cannot be otherwise, because in industrial development it is not possible to jump from a low degree to the highest one. But of course we do not identify ourselves with the concept of the bourgeois economists who even now deny underdeveloped countries the possibility of producing machines, let alone complicated ones.

Production of the most modern, very complicated machines in socialist countries which are the most advanced industrially has great importance for the entire socialist bloc because on it depends technical progress and consequently to a great extent also the victory of socialism over capitalism in economic competition.

A few remarks on the effect of the law of value in the international division of labor:

I agree with Comrade Kaigl's opinion that it is not possible to create artificially a price system completely different from world prices and also with his opinion that in the socialist international division of labor and in foreign trade between socialist countries the value relations have great importance. This is due to the fact that at present no all-embracing collective ownership exists, but individual nations, as sovereign socialist states, are the owners of basic funds and currency means, as long as these are not group or private property. Consequently, the individual states are also owners of the products of manufacture. In my opinion the role of the law of value in the socialist international division of labor is overrated. This is evident also from the thesis of the report which states: the result of a correctly applied production program must be that the countries which at present have a lower standard of production means give priority to the development of those branches of production for which they now have the most favorable conditions, and that they then gradually develop other branches of production for which their continuously improving economy will mature so as to make it profitable to undertake them from the point of view of the entire socialist camp.

This thesis seems to me too rigid. In effect it asserts that the law of value plays a decisive role in the distribution of collective work among socialist countries. From this point of view Comrade Kaigl could arrive at a formulation about the distortion of the substance of the monopoly of foreign trade in the sense of a protectionist policy, which is unilateral and damaging.

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Naturally, it is absolutely essential that every country concentrate on the most advantageous branches of production according to its conditions, but this must be done on the basis of the requirements of that country and other socialist countries. At the same time, it is necessary to examine the production possibilities of these countries and compare them to our own. In many instances it is necessary and possible to place production in those countries or that country where conditions are the most favorable, that is, where production costs are on the world average or only slightly higher; however, although profitableness is important, it is not the sole determining factor for the development of production. Priority must be given to guaranteeing the aims of socialist production and the necessary proportions deriving from it. In individual national socialist economies and in the socialist world economy it is necessary to harmonize the achievement of the highest possible immediate profitableness, guaranteeing adequate means for accumulation, with long-term profitableness. This problem has a specific aspect in the world economy because most of the countries are at the beginning of their socialist industrialization. In this process it is especially important to finance the development of a number of branches of heavy industry and the accumulative resources of other branches of national economy.

The existence of the world socialist system nowadays permits countries to specialize more on advantageous production. Nevertheless, often it is not possible for new production to be profitable from the start, let alone to keep within average international costs. It is often possible and correct to wait for conditions to mature for a new production line because it will then be possible to produce without loss either immediately or very rapidly. But in other cases the requirements of proportional growth or of employment of manpower compel a production even though at the moment it may involve very high expenditures. To this we must add the necessity of achieving and guaranteeing the economic independence of the socialist bloc from the capitalist bloc. Natural conditions and the necessity of enlarging production for which there are particularly favorable conditions may also play a role in this.

The requisites of socialist industrialization of all countries, of the development of production means, especially of manpower, of the exploitation of natural resources, of full employment of strategic and other political considerations are incompatible with such a conception of the utilization of the law of values which in reality would make it the determining factor in the international socialist division of labor. A planned proportional development, directly determining (on a national and international scale) the proportions of the best possible satisfaction of the requirements of socialist society, must of course yield the highest profit, but that is not the main consideration. If the planned proportional development were determined only by this, a situation would necessarily develop where



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an expanded production would be slowed down or stopped, and this would not safeguard the aims of socialist production. If at present a socialist country has to start or expand production the costs of which are higher than the world average, the price of the products must not necessarily exceed the world price. But in many cases this can be right and necessary, just as in many other cases the price can be lower than the world price.

In other words, in some instances it will be correct and necessary to subsidize the development of a backward country or backward branches of industry in other countries by means of the price also, except for measures cited in Comrade Kaigl's report. Nevertheless it could be correct, as I have already mentioned, not to create and use on the socialist world market a price system which would be completely different from the world price system, while it would be correct to call it a socialist world price system. This would have some advantages but also drawbacks. But it is a consequence of the existence of two world systems, two different systems of economic laws, influencing each other; this in turn creates and can create specific differences, for instance in prices.

Limited utilization of the world price even in those cases where the national value is higher than the world price does not necessarily slow the countries' development but can become an incentive for technical expansion and for an increase in labor productivity; this is already happening in some cases. (On the domestic market also, prices of many products of heavy industry are lower than production costs and the state pays subsidies to the plant.)

For this reason I believe that the conclusion to which Comrade Kaigl comes from the concept of price determination on the socialist world market has not necessarily been reached correctly. This means that under certain conditions a country must continue a production line even though the world price does not cover its own expenditures and in some cases even enlarge such a production, and to a certain extent also develop other momentarily unprofitable or not quite profitable production lines.

International socialist division of labor is influenced by political, economic, and natural factors which it is necessary to examine, take into account, and exploit. Even though the solely economic factor is not always determining, and the most profitable economic variant not always decisive, it is necessary to go through with the economic analysis, and the points which can be exactly or at least approximately calculated must be studied and compared. This concerns, for instance, the comparison of the effectiveness of investments, calculation of transportation costs, advantages and disadvantages of mass production, production costs of raw materials, etc.

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In my opinion economic and natural factors and connections which influence the location of an industry in the socialist camp and have a relation to it are the following: The concentration and international specialization of the production and international cooperation stemming from it; the requirements of the country, of the socialist countries or even of other countries; geographical environment; the people as the main production element (in contrast to capitalism, under socialism the working people especially in industrially underdeveloped countries very quickly get better skilled through mutual assistance); existing production equipment and its technical standard, including the sub-supplying industries; the amount of investments; transportation costs, collective production costs, and the quality of the same products in several countries.

Added to these factors are strategic and historical reasons of another kind, such as traditional and important trade relations. It is also necessary to take into account the economic and political situation of the country (investment possibilities, etc.)

These various factors influence the complex development and simultaneous international specialization of the production of individual countries. The principles of international repartition of production under socialism could be formulated as follows:

1. Equal and planned repartition of production, especially by moving the industry to the raw material sources and consumption areas, in order to balance development of the means of production in individual countries. Thus it will be possible to link the natural riches and manpower of all countries into the process of an expanded production, to create material conditions for equality among nations, and to create social forces which will fight for and establish socialism in individual countries and will bring together town and country, industry and agriculture, on an international level.
2. The complex, harmonious development of each country, based on natural resources which will be attained through the most complete possible and rational exploitation of natural and economic resources. The development of every country into an industrial and agricultural country. The covering of the country's own requirements -- especially in mass production -- where manufacture can be effected rationally.
3. The specialization of countries on those lines of production, products, and semiproducts for the manufacture of which that country has favorable conditions or better ones than other countries and which are required in other countries (including nonsocialist ones).
4. The strengthening of the defensive power of the socialist camp by allocating production among the countries of the socialist camp; this can be done with consideration for the requirements of modern war.

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The conference is an important beginning to the systematic solution of theoretical problems of the socialist division of labor. We cannot simply coordinate material production; we must also harmonize scientific research and determine and analyze in common the most important problems. Each country should bring the necessary proposals at the beginning of next year. We are sure that the difficulties and unsolved problems of the evolution of the division of labor still existing in the socialist camp will be overcome and correctly solved in the future, and that thus we all together shall be more successful. It is our task objectively to discern the laws of development of the socialist division of labor, publicize them, and collaborate in their correct application.

Professor IOSIF ANGHEL

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If I am to examine the problems which are the subject of our discussions, it is necessary to emphasize right at the beginning their extraordinary importance not only for the entire socialist camp but for every member country. Rational international division of labor within the framework of the world socialist system is one of the main conditions for and at the same time one of the main factors of a rapid and harmonious economic development of our countries, of the economic effectiveness of our investments, and of saving in human labor. It is to the credit of the Czechoslovak comrades that they took the initiative for this conference and in the report of Comrade Kaigl set forth the problems in all their complexity.

It seems to me that economists working on the problem of international division of labor do not yet pay enough attention to scientific analysis of the rapid evolution of practice in this area, nor do they give practice an adequate theoretical basis for its further and correct development; in reality they should almost anticipate the evolution in order to blaze the trail. At the same time, I would like to stress the great complexity of this problem and the necessity of mastering it as quickly and as completely as possible.

I should like to inform the participants in this conference that in our Economic Institute in Bucharest the question of Rumania's part in the international division of labor among socialist countries is a subject of scientific research work. However, the work connected with solving this problem has only started and we shall be able to examine the first documentary work only at the beginning of next year.

We certainly should not doubt the correctness of Comrade Kaigl's theses regarding the necessity of expanding the international division of labor among our countries, specialization and cooperation, and the advantages which we would derive for our country and for the entire socialist camp. It seems that these are canons which have already been clarified and which are not questioned any more by

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Marxist economists. This is why I do not think it necessary to analyze the theses of Comrade Kaigl in the sense that I would expound the advantages of increasing cooperation in the socialist camp, nor shall I consider the question of practical forms which the cooperation and delimitation of production in the socialist countries should take. I also shall not mention the course which should be taken in the activities of the Council of Economic Mutual Aid and how these should be widened. But I am well aware of the weight and importance of these problems and of the principal directives as set out in Comrade Kaigl's report. On the whole these directives seem to me correct, and at the same time I would consider correct the thesis according to which the main problem in coordinating long-term plans is to arrive at a more rational specialization of production programs which should be coordinated between the socialist countries.

I should like to dwell on some problems which I consider important and to which in my opinion the theses of Comrade Kaigl do not yet give a complete answer. These concern the possibility and necessity of, and the opportunities for a rational division of labor -- the principles according to which it would be possible to carry out a rational international division of labor. The starting point for examining this problem is the need to guarantee a complete development not only of countries which have highly advanced means of production but also of countries which have not yet attained this level. The basic character of the division of labor between socialist countries stems from this need. We cannot accept any other historical evolution or progress in this question but full economic development of all socialist countries. By full development I mean an end to economic inequality among nations, a quick evolution of countries which inherited less developed means of production, and a complex economic evolution of all countries with regard to their natural conditions. The remarks in Comrade Kaigl's report concerning the point of view which must be taken toward the correct determining of economic proportions in various socialist countries are very important. The report formulates the need to exploit the law of value and also to exploit effectively all natural and economic resources of every socialist country in order to attain a socialist division of labor which would represent the best possible proportions. The role which is to be played by the law of value in the planned achievement of the best economic proportions seems to me one of the most important and delicate aspects of the entire problem.

What is the meaning and scope of this task, how should we concretely understand the utilization of the law of value while determining the repartition of economic proportions? Are these proportions determined by the relation of values between socialist countries, and especially, what effect could a strict application of the law of value have on the more and on the less advanced countries? It seems to me that it will be necessary to formulate exactly the role of the law of value and to delimit exactly the theoretical and practical influence of the law on the determining and formulating of the international division of labor.

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A further theoretical and practical problem which is directly related to the influence of the law of value, and which we should consider more extensively, is the problem of the price system. I agree with Comrade Kaigl that we cannot artificially create a price system on our socialist market which would be completely different from the prices on the world market. But the question remains as to how near the socialist market should come to the world market. The extent to which world prices are influenced by the economic laws of socialism depends on the economic growth of the socialist camp. At present, socialist production represents approximately 30 percent of the total world production; the proportion of capitalist foreign trade in world trade is even larger. We must not forget these facts if we discuss the system of prices between socialist countries.

The question arising from practical requirements is that of the relationship between prices on the world market and the national productivity of labor of the various countries of the socialist bloc. This relationship is the more favorable, the higher the labor productivity. On the other hand, by what means would it be possible to conciliate the natural tendencies of individual socialist countries to trade under actually less adverse conditions with the application of the proposed world price?

Comrade Kaigl said that an equivalent exchange is achieved not on the basis of individual national values but on the basis of world values; this is true, because on the world market the collective value is exactly the world value. Under conditions of a similar equivalent exchange the countries whose national values exceed world values suffer losses, and within the capitalist market those enterprises which are technically less well equipped go bankrupt if they cannot introduce new techniques in time.

Comrade Kaigl declares in his theses that the application of world prices would have a stimulating effect which would encourage the increase of labor productivity. Perhaps so. It is in reality still another aspect of the influence of the law of value. But I ask what consequences the application of world prices would have on the national income and socialist accumulation of certain socialist countries and on the foreign trade of countries of the socialist system, which is scheduled to exceed the present volume considerably, to broadly expand on the basis of an increased international division of labor, and to become the function of coordinated production of socialist countries. This point of view really can be found in the theses of Comrade Kaigl when he says that world prices reflect and widen the gap between economically developed and economically backward countries and that it is necessary to resist this tendency to prevent its slowing the evolution of less developed people's democracies. However, it is proposed to resist it not by applying prices considerably different from world prices but by other means such as specialization on the most favorable production lines, scientific and technical assistance, credits, etc.

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The problem certainly is a very complicated one. But I doubt that it would be feasible to find the best solution immediately or in the very near future - It seems to me that we must think it over and subject to more scrutiny the principle of world prices as proposed to us.

This is the more necessary because we find this idea also in theses which deal in part with the question of prices. "No one can ask country to pay a high price for what it can buy more cheaply elsewhere." If I understand this maxim well, the purchases of socialist countries should be effected on a commercial basis only. This of course is a criterion of advantageousness of prices which does not take into account whether this advantage stems from prices applied under socialist or under capitalist conditions. I consider it my duty to raise at least one question in this connection: how can this thesis be in accordance with the need for a stable and continuous relationship between socialist countries, a need which becomes more and more pressing as the socialist countries create among themselves a broader division of labor which will unite them even more closely and make them more interdependent?

In my opinion here lies a certain contradiction. It is a conflict between the idea of an advantage derived from purchasing at the lowest price, that is, the point of view of the influence of the law of value, and the central and main idea, which is the international division of labor of a purely socialistic type. The reasons of this conflict are many and complex. I cannot anticipate the results of scientific research on this subject. But I venture to declare now that the principle of a division of labor of a socialist type should prevail among socialist countries.

To conclude, I should like to propose some problems which should be the subject of future research:

1. Examine the advantages and possibilities of creating a common investment fund of a given amount which would be destined for the construction of works of general interest and would profit the participating countries.

2. Examine the problems of manpower which could be used to broaden the international division of labor.

Prof. GYORGY GONCOL

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Since the beginning of the world socialist system the economic relations between socialist countries have consistently grown. This is best demonstrated by the fact that by far the greatest volume of their trade turnover is among themselves. At the same time, another fact became apparent: that the theory of international economic relations under socialism did not keep pace with this rapid evolution.

In my opinion the basic problem of all this is the following:

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Where lies the mutual and common advantage stemming from international division of labor, and how does this advantage manifest itself through profit from foreign trade of the participants? As is well known, this problem has been specified in the classic works of bourgeois economists Smith and Ricardo. The alluring point in Ricardo's and Mill's theory of comparable expenditure is that it puts in a uniform conception both of these points of view: the advantage derived from an international division of labor and the profit the participants make from foreign trade.

Can this theory be used "as is" under the conditions of a socialist world economy? Some time ago in one of my papers I expressed the opinion that this could not be true under any circumstances. I shall mention only the two main reasons which I gave.

First, in its substance this is a static maxim which calculates with given economic structures or rather consciously abstracts from any structural changes. And this is quite incompatible with the conditions of the socialist process of industrialization.

Second, the maxim contains a requirement that the structure of production of each country be determined according to the requirements of comparable expenditures. This is again something which under certain conditions will directly conflict with the requirements of socialist industrialization.

In the exact sense of the words, the meaning of the principle of comparable expenditure is nothing but the unlimited influence of the law of value on an international scale. This can be brought into harmony with the laws of the world socialist economic system.

In his kind review of my work, Professor Denis, member of the board of editors of the French Marxist economic paper "Economie et Politique," after accepting the above arguments, raised in substance the following question: What are in reality the laws of the socialist division of labor and of foreign trade between socialist countries?

I must admit that to this day I owe him an answer. As I mentioned at the beginning, the theoretical work on this subject has only begun.

Without wanting to make my guilt appear smaller, it seems important to me to stress the relationship of the international division of labor to international economic cooperation.

This relationship is fundamentally different under socialism and under capitalism. In the concept of bourgeois classics, the international division of labor is a consequence of elementary processes which equally and automatically contribute to creating the world economy as an entity. Adam Smith never speaks of international economic cooperation; in his view it is the end result of international economic competition. The creation and maintaining of international order in economy is left to what Smith calls "the invisible hand."

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The idea of international economic cooperation is quite secondary in bourgeois theory and practice. It is very edifying to note how in the 19th Century international division of labor is stressed and how on the other hand after World War II the accent is on international cooperation. In the consciousness of bourgeois economists, here in the ideological sphere is the distorted reflection of the decay and falling apart of the capitalist world economic system. It is the historical evolutionary perspective of capitalism (pointed out already by young Marx in "German Ideology" and again by Lenin at the Second Congress of the Communist International) that the capitalist international division of labor does not evolve into a kind of cooperation on a world scale. And here precisely lies the task of direct producers, united on a national and international scale, who have liberated themselves from exploitation.

In the socialist world economic system, from the beginning emphasis is laid on international economic cooperation, but the concrete content of this cooperation can only be the international division of labor, and this means a division of labor which is not the result of haphazard elementary processes but of international planning.

Up to now the experience of the Council for Economic Mutual Aid shows us quite clearly that evolution is slowed down if in international economic cooperation the international division of labor is not taken into account. This often leads to the cooperation being only formal and thus limits the effectiveness of its planning. On the contrary, experience tells us that evolution is assisted if -- as is done now -- international specialization is taken into account, and that only under these conditions can international cooperation be really fruitful.

If the subject of the international division of labor is treated without at the same time taking into account international economic cooperation, there lies in my opinion the root of all revisionistic and nationalistic deviations in this specific area. This is because such an international division of labor can be neither socialist nor planned. Planned socialist division of labor can be effected, in accordance with the core of the subject, only within the framework of a continuously widening economic cooperation among socialist countries.

On the other hand, it is dogmatic narrow-mindedness to believe that effective international cooperation can be organized without always considering the requirements of the international division of labor.

But how are these requirements to be taken into account? This question raises a lot of problems which must be concretely solved; the solution to each of these problems is one of the cornerstones of the theory and practice of international economic relations under socialism.



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The principle according to which the advantages of the international division of labor must show in the profits derived by participants from foreign trade must be applied only within the frame of socialist economic cooperation. If we start from this principle in solving these problems, it is then possible to guarantee a dynamic balance, a planned proportional development of the socialist world economy and all its national components.

The value relations reflecting price relations with approximate accuracy, provided of course there are conditions of realistic exchange, corresponding to the law of value (which in itself is one of the main problems still awaiting theoretical and practical solution), must under application of that principle harmonize international material balances with payment balances.

The separation or gradual parting of these two balances is only an alarm signal showing that either price relations do not correspond to the requirements of the law of value, or that the norms of international economic division of labor have been violated, which naturally must show up in a lower profit from foreign trade. In that case it will be necessary to find and use the appropriate means from the economic and political armory of cooperation. Thus it will be possible to use to general profit also the material interests of the nations building socialism.

Particularly in the era of imperialism one cannot say that the advantages of capitalist international division of labor have permitted all participants to profit from foreign trade. In contrast, under socialism there is no obstacle to this but ignorance of the laws of evolution of the world socialist economic system. We must learn how to profit fully from this enormous advantage of the socialist world economic system. Every step forward in elaborating the theory of international economic relations under socialism helps us to profit from these advantages and cannot be overlooked.

JOSEF MERVART

Economic Institute of the Czechoslovak Academy of Sciences

The development of economic cooperation among socialist nations has led at the same time to the development of their mutual exchange relations and has set us the task of examining in more detail the influence of the law of value in this area also. The problem of the influence of the law of value in international trade is very complex, and we shall therefore examine only one aspect: world values and their expression in financial terms during the existence of two world markets.

Not only does international trading bring contacts among various owners of goods, but these owners of goods are from various countries and their goods were probably manufactured under different conditions and have different national values. In almost every country a different degree of intensity of work and labor productivity exists so that national values of identical goods differ. The difference

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national values of identical goods cannot serve as a basis for prices in international trade because each country would then buy and sell these goods for a different price. International trade permits contacts between several producers of the same goods, and that is why individual producers cannot trade their goods according to their national value, influenced by the different standard of productivity and intensity of work in each country, but must trade on the basis of the world value which corresponds to common average world conditions of production for every type of goods.

To a certain point this is similar to the exchange which takes place in every capitalist country. Individual producers compare the production costs of their goods with their market value (represented either by the production cost or by the monopoly price), and they participate in the price setting according to the relative size of their manufacture and the economic conditions of production.

The biggest producer of a certain commodity of course does not have to sell his entire production on the international market but usually sells only that part which exceeds the demands of the home market. Therefore, the national value of the biggest producers of this particular commodity does not necessarily determine the figure of its world value - The determining influence on the world value of goods is exercised by their biggest exporters. For example, India and China are after the USA the greatest producers of cotton, but the greatest exporters are the USA, Mexico, Pakistan, Brazil, and Egypt. The biggest producer of automobiles, the USA, plays a secondary role in exports, to Great Britain and West Germany. From the above it is evident that the world value of goods is usually near or equivalent to the relatively low production costs of the biggest exporters. This means that world values of goods usually are lower than the majority of national values and they approximate or equal the national value of the biggest exporter.

In international trade the world value expressed in financial terms appears as world price. In literature and in international foreign trade practice we sometimes find that the meaning of this concept has been narrowed, and eventually that its importance in the present period is contested. It is true that for the majority of goods we encountered the world price in its real sense only during the period of a developed multilateral trade, when only one world market existed, when free trade with free convertibility of currencies was dominant. This price was formed in the world trade centers and considerably influenced the level of domestic prices of the individual countries, and we can say that to a great extent it expressed average world conditions of production for that particular commodity. These conditions of course were met only during some periods of the evolution of international trade and are not typical, for instance, even for the present period. Since World War II, we have not had free convertibility, the all-encompassing capitalist world market has fallen apart, international trade has been hampered by many obstacles and restrictions, domestic markets have been protected, etc.

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Finally, the importance of world trade centers has declined as they ceased to be the virtually monopolistic seats of offer and demand for a particular commodity. A large part of trading is done today away from these centers; this in itself limits their role in price setting and also the monopolistic influence of the various capitalist groups. Nevertheless, to this day the price quoted in these centers becomes the basis for the price setting of the majority of mass-produced goods of world trade; this price has the stamp of universality, and we can therefore call it the world price. The situation with regard to non-mass-produced goods is different because even in the past there were no trade centers for them. But even here the world trade in each produce centers around certain producers--eventually producing countries--whose selling prices again become the basis for the prices of these goods on the world market, and we can therefore call them the world prices.

There is no doubt that the world price originated and got its economic content within the capitalist economic world system, and this a long time before the creation of a world socialist economic system. The evolution of mutual trade relations among the socialist countries on the world socialist market has therefore raised the question of whether it is necessary to use world prices on this market also. When answering this question--particularly in view of the inflationary rise in the prices of some goods during the Korean War--there has appeared a difference of opinion as to the form of utilization and particularly as to the advisability of using these prices on the socialist market.

The majority of theoreticians and participants in foreign trade in Czechoslovakia defend the point of view that at this time no other possibility exists but to base real prices even on the world socialist market on present world prices. The countries of both world systems have a continuously developing international trade; this leads to the fact that the economic content of the world value and thus also of its financial expression changes. The level of world values of goods is no longer set by capitalist countries alone, but also by socialist countries in accordance with the increasing importance of their production for international trade. For the present their influence on the majority of goods is not as strong as that of advanced capitalist countries, due to the lower national labor productivity in many socialist countries and also because the total share of socialist countries in the world turnover is about 8-10 percent. Nevertheless, particularly in some raw materials such as wood, flax, hops, malt, etc., this influence can already be felt. The development of mutual production cooperation of the socialist countries will mean that, on the one hand, their national productivity of labor will grow, particularly in specialized branches, and on the other hand their part in world turnover will increase, especially in products of those branches. The evolution of the socialist world division of labor will therefore be better felt also in the growing influence of socialist countries on the level of world values of goods.

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If on the contrary we contested the possibility and necessity of using world prices on the socialist world market, we would be faced with two insoluble problems:

1. To find an objective basis for a different setting of prices. In the present time there exists no realistic possibility of a comparable monetary expression of production costs of the same products in individual socialist countries which--theoretically--would be the only basis for fixing an independent set of prices on the world socialist market.

2. A substantial and continuous deviation of world socialist prices from world prices would create a disparity of price levels on both world markets which would compromise the planned course of trade among countries of the socialist camp. To orient their trade toward either the capitalist or the socialist market would mean a difference in the profitability of their foreign trade. Finally, we cannot underestimate the important influence of the growth of world labor productivity, determined by the technical level of the advanced countries, on the level of world prices and so also the influence of the reverse economic pressure of prices in foreign trade on the development of labor productivity in each socialist country.

If we insist on the objective necessity of basing prices in international trade on the level of the world value of goods, this does not mean that we do not realize the complexity of the whole problem as pointed out by the adversaries of world prices.

Two problems are usually brought forward:

1. The world value of goods is for the most part determined by the higher national productivity of labor of advanced capitalist countries so that it is in general lower than the level of national values of the same goods produced by a number of less advanced socialist countries. This means that the profitability of exporting a number of important products is in these countries lower than the price of importing. In other words, the argument is that the level of world prices do not correspond to the average conditions of production in socialist countries.

If we compared only the over-all price and value levels, this objection would be generally incorrect. If the mutual relations of goods do not change, then nothing changes, whether we fix the level of value at a higher or a lower figure.

But the specific problem lies elsewhere, namely, that it is incorrect to transfer from capitalism the relations of values of goods because they correspond to its average social conditions of production in individual branches. This problem is very complex and we cannot solve it without a more detailed analysis. But it is very timely--as can be seen from Comrade Anghel's report in this discussion, to a certain extent from the report of Comrade Machova, and also from discussions outside this conference--and it is therefore necessary at least to state our opinion on it.

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As already mentioned, the arguments here are that these value relations originate and are formed within the capitalist world system. Thence it is deduced that they express also the division of this system into industrially advanced countries and less advanced ones, which function as reserve areas of raw materials and foodstuffs. These industrially less advanced countries presumably have cheap unskilled labor; this, among other factors, is reflected in the amount of production costs. If we consider that the level of production costs of these countries very often determines the world value of a number of raw materials and agricultural products, the problem arises of how to raise the living standard in socialist countries if they sell these products for world prices.

But in my opinion the core of the problem is not in the price basis, and cannot be solved in the field of circulation but only in the circuit of production. The socialist international division of labor cannot evolve in such a way as to accentuate the separation of countries typical for the capitalist system, that is, into industrially advanced and backward countries. However, this would happen if foreign trade and the increase of its profitability were the only incentives for development of the socialist international division of labor. But if it appears that the international division of labor among socialist countries can be solved only in the field of production, then production cooperation comes to the fore, complemented by technical assistance and investment credits. This way then becomes the basis of industrial development--specialized industrial development of course--of all socialist countries, which thus can and do become specialized producers with a high labor productivity.

This is one side of the matter, but we also must remember that extracting industry and agricultural production--even if they have a number of peculiarities--are characterized in economically less developed countries by a lower capital structure because cheap labor delays technical progress in these regions.

This means that in these branches there are great reserves for an increase in labor productivity, but their exploitation again requires considerable investment and consequently investment credits and technical assistance from more advanced socialist countries. With the development of technical progress, increase of organized structure, and better training of manpower, conditions will be created even in these branches for an increase in real wages, without pushing production costs above the world price level.

If on the contrary we wanted to solve the above-mentioned problem by price adjustment, that is, in the field of circulation, we would find ourselves in a field of conflicting subjective interests and would pass from science to subjectivism. Even as regards the price practice on the world socialist market we must start from objective principles and cannot by-pass such categories as the world value.

2. The second group of objections is in substance that on the capitalist world market the concrete figure of world prices for various goods often differs substantially and unequally from its basis--the world value--because of a number of economic influences (phases of industrial cycle, speculation, seasonal influences, the policy of monopolies in the individual branches, etc.). Various price deviations from the value of individual goods undermine the equivalence of trade exchange (by this I mean an exchange of comparable world values) which could even in the international trade between socialist countries bring speculative trends to the socialist market and damage the organized mutual trade relations in their role as part of mutual economic cooperation.

The fluctuation of prices around the value occurs constantly in capitalism. Even in the period of free competition the price of individual goods corresponded to the value only within the frame of a certain period (balancing plus-minus deviations). Under imperialism this elementary balancing is hindered by monopolies. But not even the existence of international monopolies can bring about a lasting and general deviation of prices from values. For the most part it means only the exploitation of a phase of the industrial cycle in a certain direction, while in other phases these deviations are balanced in the opposite direction. As a consequence of various particularly monopolistic influences, affecting individual phases of the cycle of each commodity, the price relations of goods can vary considerably. This means that these price relations do not express value relations of the commodity at a certain date. Evidently they will not express them even in a short average but will approach them if within an averaged period the above-mentioned monopolistic and other influences adjust.

On the basis of observation of long-term price indexes of various goods on the world market I have come to the conclusion that the necessary length of an averaged period must be at least 10 years and that it is necessary to choose the period so as to include various phases of the cycle. Finally, a second conclusion can be drawn from the given indexes, namely, that the changes of price relations of goods are the result not of a completely contradictory evolution of prices of various goods in the individual phases of the cycle, but of the fact that the size of the deviations from values differs in various types of goods.

This is also confirmed by a comparison of the price evolution of strongly monopolized copper with the price evolution of cotton and wheat.

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Price Evolution of Copper, Cotton, and Wheat  
(1911 = 100)

Year	Copper London	Cotton New York	Wheat Kansas City
1911	100	100	100
1917	223	283	156
1929	135	154	123
1931	53 1)	67	43
1937	96	110 2)	113
1929-1938*	75	98	91
1929-1938**	57	63	74
1945	110	247	165
1947	211	328	260
1951	394	374	250
6.11.1957	348	328	228
1946-1956***	101	94	82

1) year 1934

2) year 1936

\* average of years 1929-1938

\*\* average of years 1929-1938 if 1929 equals 100

\*\*\* average of years 1946-1956 if 1951 equals 100

These comparisons are obviously incomplete because they are not accompanied by an analysis of the peculiarities of the world price evolution of the individual types of goods and do not show all years (for example, the rise in price of colored metals after 1951, which in 1956 amounted to 585 for copper as compared to the 1911 index; this is reflected in the postwar average listed) nor do they solve the problem of monetary influences. We only wanted to ascertain whether various monopolistic and other influences on individual goods considerably change the price relations of goods or if they do not change them. Even though we did not attempt to find out to what extent the change in value relations is caused by a different evolution in world values in these production branches, we can see that long-term price deviations to a great extent get adjusted within the 10-year period. This means that the price relations of goods on the average also get adjusted and show us--even though not exactly--the value relations of the individual types of goods. From the above we can come to the conclusion that even in the monopolistic stage of capitalism the evolution of world prices to a certain degree reflects the evolution of world values of goods, although this reflection is the more distorted the shorter the period under observation.

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Similarly, we could compare price relations of other goods and groups of goods and I think that we would come to similar conclusions. So, for instance, during the Korean War the relatively greatest increase was for raw materials, whose index for 1951 was 130 as compared to 100 for 1950. But in 1954 their price went back to the 1950 level and thus on the average restored their relations to other goods, after a certain depression in 1952-1953.

Next to these long-term price fluctuations, we can also observe for individual goods on the capitalist world market considerable price fluctuations which adjust in a short period of about one year. These are caused by climatic conditions, transportation, speculation, and other influences. So, for example, if we take the price minimum in 1956 as 100, the maximum for copper in London was 154, for pigs in Chicago 215, for rubber in New York 178, etc.

It is evident from the above that prices for individual goods and the over-all level of world prices are constantly changing. In this we can discern short-term, usually periodic fluctuations in the course of a year, and long-term deviations of several years which are caused not only by the changes in the value of world prices but by a whole series of economic and noneconomic reasons.

The prices traded for on the world socialist market are in principle identical with the world capitalist market prices because they reflect a universal value of goods created in common. But the factual monetary expression of this universal value can, in my opinion, differ to a certain degree. If all mentioned fluctuations of prices on the world capitalist market were to be reflected also in the trade between socialist countries, they would bring even here speculative tendencies, which would undermine the planned course of exchanges and in the end even its equivalence. It is one thing to start on the basis of world prices when setting prices on the world socialist market and quite another thing automatically to accept concrete, factual prices of the world capitalist market.

If we say that the price is a monetary expression of value, we mention only the quantitative side of the matter. But the concept of value is not exhausted by its quantitative definition. Value is a collective category which means that it bears the stamp of the social relations under which it originates. This is reflected also in the monetary expression of value--the price in its market fluctuations under capitalism brought about mainly by the course of the industrial cycle and the existence of monopolies--and in its planning under socialism which stems from the economic policies of a socialist state, the representative of collective ownership by the people.

And this holds true also in international trade. The size of the world value is given by the common influence of the socialist and the capitalist producers, but the planning of international economic relations of the socialist countries, stemming from their production methods, gradually brings sovereign states to price agreements which show the effort to eliminate the constant fluctuation of world prices by various measures which would be in keeping with the spirit of economic cooperation.



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Thus, after 1950 we can observe an effort to eliminate the long-term rise of world prices of certain goods (originating in a war inflationary conjuncture) by the introduction of so-called stop-prices, that is, world prices frozen on the level before the period of war inflationary pressure. But the stop-prices for the majority of products were also to a certain extent influenced by the price fluctuations of the capitalist market and brought about certain changes in price relations of goods, so that the depression in world prices after 1952 is reflected also in price adjustments in the trade between socialist countries. During 1953-1954 stop-prices were partially adjusted and in the following years the basis of present world prices was used more and more.

At the present time the prices on the world socialist market are adjusted to the level of present world prices. But in contrast to the years 1945-1949, this is no longer an automatic acceptance of these prices but their uniform adjustment. At present there can be several world prices for one type of commodity so that in the first place agreement must be reached on which price to use. The main objective of adjustments is to eliminate the short-term price fluctuations typical of a capitalist market, by taking an average of world prices during a certain period--one year. The planned organized course of exchange on the world socialist market required not only uniform prices, agreed upon on the basis of world prices, but also prices which would remain stable for a longer period. Finally, we cannot for the future rule out even a situation where it will again be necessary to react by agreements between socialist countries to long-term price fluctuations caused by a war crisis or other events.

Therefore, these price adjustments play an important role at present in the development of planned international economic relations among socialist countries, because to a large extent they can adjust price relations to the value relations of the goods. But this does not mean that our analysis could be limited to the comparison of price and value relations of the goods. It will be necessary gradually to examine also under what manufacturing conditions in individual branches of production the world value relations of goods are formed, what influence the present value relations have on the economy of individual socialist countries, and to what extent the socialist countries already influence, and will influence in the future these value relations.

These analyses require not only the gathering of a great mass of material but also the formation of a collective of economists from several research institutes. In Czechoslovakia such a collective is already forming around the Economic Institute of the Czechoslovak Academy of Sciences. But increased relations with economists of other socialist countries and eventually a certain coordination and allocation of the assigned studies would help to solve this complicated problem.

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Today it is generally admitted that the socialist international division of labor has two main aspects: the aspect determined by the utility value and the one determined by the value.

In the past a lot of damage has been done by an opinion prevailing in theory and in practice that the socialist international division of labor evolves regardless of how the law of value manifests itself in the relations between socialist states. In literature we find many an assertion which considers the greatest advantage of socialist international division of labor to be the fact that allegedly new international proportions evolve regardless of value relations. This seems indeed to be true as long as the coordination of five-year plans in the Council of Economic Mutual Aid is done on the basis of material balances only; but this practice itself has already proved that value relations cannot be ignored without incurring great losses of collective work, nor should they be overestimated.

In order to make correct use of the law of values in the practice of development of socialist international division of labor and mutual economic relations between socialist states, it is necessary first of all to examine how it really manifests itself in the relations between socialist states. During the past two years I have tried to study at least in part the most common manifestations of the law of value on the socialist world market, i.e., the equivalence of the exchange of goods. It would take too long to explain it fully and that is why I shall limit myself to a few findings which are directly related to the socialist form of the international division of labor.

The equivalence of the exchange of goods, as an exchange of goods of identical values, is often understood in literature and often even in practice as meaning that every exchange act must be equivalent. In reality this is not so and it is quite understandable if we consider that if every exchange act were equivalent, prices would have to equal values and the law of value would manifest itself quite absolutely which--taken literally--would equal its negation and therefore also the negation of exchange as exchange of goods. In reality the individual exchange acts usually are not equivalent and only certain groups summaries of these nonequivalent exchange acts appear to be equivalent. The equivalence of the exchange of goods cannot then be understood as simply an absolutely equivalent exchange but as an objective tendency toward equivalent exchange, as a tendency in which individual exchange acts automatically tend towards equivalence. This of course holds true for any kind of exchange of goods regardless of its special forms and holds true for the home as well as the foreign market.

The equivalence of the exchange of goods on the world market is sometimes understood in literature as an exchange of goods of equivalent

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national values. This concept of the equivalence of the exchange of goods on the world market is related to the opinion (but this logic is illusory) that every profit made in international exchange of goods is the result of an unequivalent exchange.

In reality the equivalent exchange of goods on the world market is the exchange of goods of equivalent world values (with a few exceptions which, however, are not important in this connection). The world values of goods usually do not correspond to the national values of the same goods. Moreover, on the world market every country acts as an integral entity. Consequently, the world values of various goods are determined only by national labor put into those goods which are exported to the world market, and the entire relationship between national labor and universally necessary labor develops in a very complex manner. This is why--in contrast to the domestic market of individual countries--all countries mutually exchanging their goods on the world market can at the same time derive continuously or permanently certain profits in value, which correspond to the respective savings in national labor, without any of these countries transacting an unequivalent exchange on the world market. The absolute volume of the profits gained by an individual country or the global saving of national labor is then expressed by the difference in value of the national and world prices of goods, by the volume of foreign trade, and the structure of exports and imports; we can also say that it is expressed by the degree of utilization of the value aspect of the international division of labor.

The above-mentioned peculiarity of the manifestation of the law of values in international exchange was observed by classic bourgeois economists, including Ricardo, but was explained only by Karl Marx in a series of notes on international exchange and the world market, based on a compact general theory on goods and found in various places of his work. This peculiarity is at the same time the peculiarity of the equivalence of the exchange of goods on every world market, regardless of its special forms. If we observe real exchange conditions on the socialist world market we come primarily to the same conclusions.

We can observe a marked tendency toward an equivalent exchange of goods in the exchange conditions of the socialist world market. This tendency is evident from the fact that the larger the observed volume of exchange acts, the more equivalent the exchange appears, and the smaller the volume of the exchange acts, the less equivalent appears the exchange. So, for instance, as a rule, individual exchange acts between Czechoslovakia and the individual socialist states in the course of every year appear unequivalent to the detriment of one or the other party, but the bulk of the exchange of goods between Czechoslovakia and individual socialist states for any year between 1950 and 1956 appears equivalent--with some exceptions--and the over-all exchange of goods between Czechoslovakia and all socialist states put together in one year or in the years 1950-1956 appears fully equivalent.

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This tendency toward an equivalent exchange of goods on the socialist world market can be explained simply by the fact that socialist countries mutually act as sovereign, independent, and equal detainers of goods, which means owners of goods. The fact that they exchange their products as goods--and this in the end more or less equivalently--means that they de facto recognize each other as owners of goods for the time being, without a more precise determination of what kind of owner is meant and regardless of the way in which they became owners of the goods.

This general concept of the tendency to equivalence is inherent in every real, adequately developed exchange of goods; the entire literature purporting it to be a special advantage of socialism, a manifestation peculiar to socialism, shows only a lack of understanding of the law of value, regardless of whether it concerns its manifestation on the domestic market of a particular country or on the world market. Moreover, on the world market, in contrast to the domestic market, all exchanging countries can make a certain profit at the same time. According to my estimates, every socialist state could in the equivalent exchange of goods in the years 1950-1956 make a profit on the socialist world market of one third to one half of the total exchange value. In reality the individual countries do not get even half of that value on the average. This demonstrates at the same time how up to now little use has been made in this respect of the existing international division of labor.

With the question of the equivalence of goods on the socialist world market is connected the theory which I would call the "theory of dual prices." In the contemporary work of some authors and also in economic relations in practice the requirement appears that the prices of products exported from economically more developed countries to less developed ones be lower, and the prices of goods exported from economically less developed countries to more developed ones higher than prices corresponding to the world values of these goods (which comes to the same thing) that prices of goods exported from a more developed country to a less developed one be lower than prices of goods exported to a country on the same economic level as the exporting country. Such an exchange would seemingly help a more rapid development of less advanced countries to the detriment of the most advanced ones. But in reality the end results would be quite the opposite. This practice of double prices if in effect generally and permanently, while keeping equivalent exchanges in the over-all volume, would assume that the world value of the same product would have at the same time two different levels; every product would have two different world values, and two different laws of value would appear on the socialist world market. (In this we can also see a certain difference from the domestic market.)

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It is true that socialist states mutually acting as owners of the exchanged goods in reality are not just any kind of owners but socialist owners, the representatives of the collective ownership by the people of the production on their territory. They are the representatives of socialist producers, of societies where the laws of socialist production are applied. These laws must be evident also in the world socialist economy, provided of course that their manifestation--at least in its form--is not fully identical with the manifestation of the same laws in the domestic economy of individual countries. This of course cannot modify the general law of the production of goods--the law of values--in the sense mentioned above, especially because such a modification would equal its abolition. The thing which can be changed and in reality is changed (at least at the beginning of socialism) is the form of manifestation of the law of values on the socialist world market in the world socialist economy.

The most general manifestation of the law of value--the equivalence of exchanges as tendency toward the equivalence of the exchange of goods--does not revert on the socialist world market to the opposite tendency toward unequivalent exchange to the detriment of economically less developed countries, as is the case in the capitalist world economy, but, on the contrary, works rather in favor of less developed countries; nor does the law of value in the socialist world economy promote an uneven development of countries as is the case in the capitalist world system, etc. This means that the form in which the law of value manifests itself in the exchange conditions of the socialist world market is in any case opposite to the form typical for the capitalist world market. It is opposite to the form typical for any world market only to the extent that the law of value is applied according to plans, and only to this extent is it possible to speak of a completely new form of manifestation of the law of value on the socialist world market.

The planning of the manifestation of the law of value on the world market requires that the proportions within which the planned collective production in individual countries is increased be developed according to plan, just as the international proportions are. But during the whole period 1950-1956 which I studied, the international exchange of goods on the socialist world market rather a posteriori documented to what extent the internal proportions, applied at the production stage, are at the same time the international proportions or disproportions, and this contrary to most of the literature which asserts the opposite. This state fundamentally corresponds also to the above-mentioned theory of double prices insofar as it attempts to solve the problems of the planned development of international division of labor only in the field of circulation, whereas the basis of the solution is in the field of production. The first step toward a planned development of the international division of labor was taken on the basis of measures connected with the coordination of plans for 1956-1960, in order to utilize according to plan also the manifestation of the

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law of value on the socialist world market. These measures apply only to the material balances and not to the balances of values, so that not only is the manifestation of the law of value on the world market not used according to plan, but neither can the international proportions of work be developed and used according to plan.

If we limit our analysis only to the equivalent of the exchange of goods between socialist states, we come to the following conclusions: A new factor in the manifestation of the law of value on the world socialist market is its planned form, typical only for socialism, which up to now existed only in an incipient form, and which must be consciously developed, because the law of value contains this consciousness in itself. The requirement of complementing international material balances by balances of value brought about by practice is theoretically fully substantiated because it is the necessary prerequisite of further development from this incipient stage. In the field of the socialist world market the balances of values should serve primarily to guarantee the planning of a correctly understood equivalent exchange of goods, the utilization of the equivalent exchange of goods in saving collective labor, achieved by planned development, and the use of international division of labor.

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We know from practice that the problems of the international division of labor and the questions connected with them are very complex. The purpose of discussion and theory is not at all to try to press this complexity into certain molds but, on the contrary, to express this diversity and its dynamism so as to lead to better understanding of a complicated reality which we could then use for practical directives for the international division of labor.

The report of Comrade Kaigl gave us a very good and complex basis for our discussion. The task of the individual contributions will be to illustrate as much as possible the various factors which play a role in forming the international division of labor--their part and mutual dependence and reliance--so that on the one hand we can clarify all the factors which influence the organization of the international division of labor, (and which have to be reckoned with in directing it) and on the other hand we can explain how the individual factors tie in with the final result, by what means and mechanisms they work, and also on what they themselves depend.

The individual contributions to the discussion will most probably deal with the various aspects and factors of the international division of labor, the experiences gained therefrom in various countries or at the places of work of individual comrades, and how they come up in practice at these places of work.

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I am pointing this out in advance because during discussions on the international division of labor I have often met with the objection that this or that point of view, or this or that factor, does not give an exhaustive enough explanation, that it cannot explain all the circumstances and aspects of the organization of the international division of labor. I think that this is self-evident because there does not exist one single factor which alone and exclusively could determine, or by which it would be possible to explain fully and exhaustively, the laws governing the organization of the international division of labor in the world socialist system. The present state of our knowledge of this question is the result of a long and tedious study and evaluation of experiences at various places of work, and also in foreign trade, which is my job. For this reason I consider it useful to clarify every factor, even a partial one, even though of course this simplification brings a certain danger. But the summary of these partial explanations helps us to form a more complex idea and gets us a little farther from the point where we are today.

Comrade Kaigl pointed out that the coordination of plans between the USSR and the people's democracies has two main tasks:

1. To guarantee the elimination of duplication and prevent its recurrence by a distribution of production programs,
2. To eliminate the deficits in those branches which are today the bottlenecks in the economy of the socialist camp.

At the same time Comrade Kaigl correctly stressed the willingness which is the basis of all coordinating activity--willingness to accept commitments, willingness to give a certain direction to economic plans of the individual countries, etc.

Of course, what do we see in practice? We see that in specific cases it is sometimes difficult to bring individual countries willingly to take into their plans and accept commitments toward other countries, or on the contrary to make them give up some of their planned production in a way which would be most useful from the point of view of international division of labor and maximum effectiveness.

We cannot explain this only by ignorance, because it happens also in cases where it has been clearly proved and unanimously stated what is the most correct procedure in a given situation. And this happens in all people's democracies, even in Czechoslovakia. In some cases we have here nonantagonistic but nevertheless conflicting divergences of the immediate and close interests of the individual country from long-term interests and the interests of the socialist camp as a whole.

In my opinion the relations of values play here a role which has not yet been fully recognized. As already mentioned, the economic policy of the people's democracies leads to the emergence of certain disproportions. In this connection I would like to put in a word in favor of formulating another expression for this economic policy than

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"the so-called autarchy," a definition which would better express the basis of this policy, and would correspond to this basis, because the expression "autarchy"--even put in quotation marks or limited by "so-called"--is inexact and its use can only lead to unnecessary errors.

As for concrete problems of the correct development of international division of labor, in connection with the requirements of correct proportionality we can see when examining them more closely that the greatest number of parallel production capacities developed in some branches of light industry such as weaving mills, manufacture of tobacco products, canneries, etc., and then also in light and medium industry such as the manufacture of automobiles, tractors, combines, smaller electric motors, textile machines, and simpler metal-working machines. The noncoordination here went so far that, in direct contradiction to what had long since been established (that is, that the best productivity and economy are achieved in large series, which usually exceed the needs of one country) the people's democracies in many instances started the production of some goods for their own consumption exclusively or for the most part. On the other hand, in what branches is the deficit most acutely felt and at the same time most difficult to eliminate? It is in the production of solid and liquid fuels, ore, and other minerals, the production of grain (especially corn), sugar beets, and oil seeds. At the same time, the socialist countries have the conditions not only for an increased production of raw materials but also for an increased production per hectare in agriculture and for an increased crop acreage. Naturally the question is raised: why did individual countries invest their means in superfluous industrial capacities, although they risked (and practice confirmed this) finding no market for them in socialist countries or in capitalist countries? Why did they not invest their means to a greater extent in the production of basic raw materials and semifinished products, in the production of special types of machines and those types where there is a deficit, when the demand for these goods is growing not only on the socialist but also on the capitalist market?

The decisions on constructions under capital investment plans and their destination were influenced by many factors. I would like to mention for example, only the difference in the volume of the original investments, the various lengths of time during which the investment means are tied up without giving any profit, the various periods of amortization of the original funds, etc. A certain influence was also exercised by a consideration of the branches for which production documentation was available (so as not to have to start by spending several years in solving complicated construction and technological problems); another important factor was the possibility of getting production equipment, the securing and training of cadres, etc. Even if we admit that all these considerations were important, I believe that we cannot find only in them the complete explanation of the errors made in investment construction. Considering the points we mentioned above, the



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most favorable situation should exist in agriculture, and yet it did not enjoy any priority of interest. Even though in agriculture we must bear in mind the extraordinary political difficulty of introducing socialist mass production, the point that agriculture was not the center of interest is further demonstrated by the fact that branches connected with it, such as the production of fertilizers, were allowed to lag.

I shall try to explain how I understand the value relations to have influenced the formation of the structure and the international division of labor in the socialist camp. Up to now economic literature almost exclusively started from the premise that, just as the influence of the law of a planned and proportional evolution of national economy under socialism excludes regulation by the law of value of what is being produced, neither can the law of value determine the content of the foreign trade of a socialist country. The reasons given are that, for a socialist country which does not follow aims of profit, the determining importance is the value of usefulness in precedence to the value of the goods which are exchanged through foreign trade. Unquestionably, in determining the contents of imports a socialist country considers first of all the useful value of the imported goods. However, in determining what goods are to be produced for export, the socialist countries, although they consider the requirements of the brotherly countries, are also interested from their own point of view in the price value of the goods, next to their useful value, and in fact in priority to their useful value, because through this price value they acquire means to pay for imports. The aim is to realize this value rather than to trade the useful value.

This point of view applies not only in exports. We know very well that in the people's democracies, while industrialization plans were being carried out, it was also taken into account how the building up of capacities would replace the necessity of importing and viewed from this angle, this equals exporting. It is therefore understandable that when socialist countries make production plans for export goods they take care to include as large amounts as possible of goods which are advantageous also in their price value.

It is well known that under the regulating influence of the law of value on production and foreign trade under capitalism, we understand that the profit aspect regulates not only the in- and outflow of capital in each branch and the increase or reduction of production, but also the composition and volume of production in individual branches and in the entire economy, as well as the flow of goods between countries.

Even though under socialism the profit aspect understandably disappears as the moving force of production, we cannot deduce from this that the influence of the law of value completely disappears in the planning of production. Marxist theory as well as practice take

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into account "material interests." These material interests are nothing but a manifestation of the law of value. And if it is not reckoned with when plans are being elaborated, it can only lead to disruptions in the functioning of the economy.

Comrade Kaigl mentioned collective ownership as one of the conditions of a really full implementation of a planned and proportional management of economy according to the so-called "collective common sense," believing perhaps that as long as this collective ownership has not been fully reached there still remain possibilities and channels through which other influences than central management can make themselves felt--influences which are not governed by strictly scientifically determined optimum proportions. But among the socialist countries there does not yet exist and in the foreseeable future will not exist a single collective ownership of the people. They are not only sovereign states but also states which mutually are in the position of owners of goods. Therefore, between them exist the objective conditions for a material interest in valuable proceeds.

In the past, practice has shown that when the individual people's democracies made their state plans, they considered which branches should be given priority in the course of socialist industrialization; in these calculations they took into account not only such factors as the requirements of their own economy, existing financial and technical possibilities, etc., but naturally also the price value indexes of the individual products, even though these indexes could only be estimated for the most part. The need for machines for industrialization and especially the prospect of a continuous growth of this need forced the countries to make decisions on how to secure machines for industrialization--by their production or by imports, and if by imports then how to pay for them. As we have already said, the old structure of the people's democracies, with the exception of the GDR and Czechoslovakia, did not offer any products for export but foodstuffs and some basic raw materials.

But if we put industry on one side and on the other side agriculture and the extracting branches of industry, we immediately see the difference in the average technical standard of production in the two groups. I mean the average technical standard, i.e., not old-fashioned industrial equipment compared to very modern equipment or old-fashioned agriculture in comparison with modern, but average industrial equipment, average agriculture and average extraction branches. From this point of view we can see that, with very few exceptions, agriculture is on a lower standard and this applies to the whole world.

Also, the extraction branches of industry are in general less developed and mechanized than the production branches and especially the machinery industry. The average standard of mechanization achieved in them is lower than the corresponding standard in production branches and in the industry manufacturing modern efficient machines. This is naturally also reflected in the standard of skill of manpower,

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which is much higher in highly mechanized branches than in agriculture and extraction branches.

Even if we do not take into consideration price deformations which are brought about by conditions of world domination by monopolistic capitalism, we can see at a glance that an equal amount of time spent by skilled labor produces greater value and under the same conditions permits more other values to be obtained than does unskilled labor. A country which puts into its products mainly skilled labor gets more value for exchange than a country which has spent the same number of hours of unskilled labor.

In this connection I should like to point out one circumstance which, at least, as far as I know, has not yet received the attention it deserves. I mean the difference in value effectiveness of work invested in various production branches in connection with differences in the complexity and degree of skill of the labor.

When examining the profitableness of imports and exports, a comparison of production costs with the price obtained is usually taken as the basis. This is done in order to transpose into the value index labor of various complexity, degree of skill etc. Of course the heart of the matter is in these differences, and the above calculation conceals these differences. Socialism is a lower degree of communism wherein the difference between simple and complex work is preserved. The socialist system of remuneration according to work stems from this fact and respects it. If we compare for any chosen product the production costs expressed by the country's own expenditure (even if stripped of certain distorting factors such as raw material components from imported raw material, etc.) the comparison of this figure with the price actually obtained when selling abroad conceals the number of hours of national work which were actually expended in getting a certain amount in foreign currency. And the profitableness expressed in percentage or fraction of the purchasing price in this instance conceals the real facts, as I shall demonstrate in an imaginary example: It is more advantageous to manufacture for export products involving work of a value of Kcs. 10 per hour with a 10 percent profit than to manufacture and export products whose "profitableness" may be double but where the labor costs are only Kcs. 5 per hour, because in the first instance one hour of work brings in Kcs. 11 to our state while in the second case it brings only Kcs. 6 in currency. Even though so far as I know similar calculations have not been made either in our country or in any other people's democracy, these differences between individual branches were felt. For this reason, development of the agricultural and raw material branches of economic expansion did not have great appeal for less advanced countries which calculated that, with the present world standard of technology, mechanization, and production methods in general, and at the present world level of prices, a certain amount of labor invested in agriculture or the production of raw materials would not in general bring the equivalent of the value acquired by an industrially more developed country which

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invested the same amount of labor in branches requiring more complex and skilled labor. These findings were well substantiated by a practical comparison between the standard of living of countries with a developed machinery industry and that of countries with a prevalently agricultural or raw material producing economy. The people's democracies, especially the less developed ones, endeavored to achieve a rapid rise in their economic standard and the ensuing higher standard of living. Because some questions of economic theory have not been pursued far enough, particularly, the question of indicators which show the economic maturity of countries with different economic structures, the concept of economic maturity was often associated exclusively with the concept of a widely developed machinery industry (even though examples of such countries as Denmark show that under mass production and advanced technological conditions agriculture also can be the source of a high living standard). In this one-sided concept of the question of economic maturity we can see one of the main reasons why the people's democracies in general strive to develop a machinery industry during the period of their first long-term plans. This has sometimes been done, as we well know, even to the detriment of other branches which later became a brake to the general proportional development.

Of course it would not be correct nor is it my objective to criticize the policy of development of a machinery industry in these countries. The tendency to develop a machinery industry was correct because it corresponded to the aim of industrialization and of raising the economic standard and also to the necessity of developing more quickly the manufacture of production means. Moreover, it also improved the social and political structure of the population.

In my opinion primarily two things were not correct:

1. The people's democracies did not achieve a harmonization of their machinery industry expansion which would have avoided parallelisms and been mutually complementary. A proper expansion would be consistently developed according to principles of planned specialization, in order to bring about larger production series and a high productivity and particularly to help satisfy the needs of the countries for modern efficient machines and tools, of which the socialist camp as a whole still does not have enough;

2. A serious error was that the correct premise of the priority of development of the manufacture of production means was in general one-sidedly and incorrectly interpreted in the sense that only the manufacture of production means was expanded without at the same time proportionally ensuring the increase of the second part of production means - raw materials.

Comrade Kaigl has explained very well in what direction it is necessary to elaborate further Marx's basic theme of an expanded production as regards the relations between group I and group II. I should like to add that a correct designation of proportions, which is the basis for a correct and efficient development of the international

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division of labor requires also that the mutual proportions between the production of machines and raw materials within group I be worked out in greater detail. Marx in his "Critique of Political Economy" observed this very important aspect of an increased production. He pointed out that through technical improvement the costs of manufacturing highly efficient production tools, that is, complicated machines, increase much more slowly than the productivity of these machines.

The relation between the value of the machines and the value of the raw materials which the machines treat during their lifetime is steadily rising in favor of the raw materials, if we speak about raw material treating machines. I can demonstrate this briefly by an example: The value of a new type of power loom has increased two fold, even including the expenditures for research and higher production costs, while the amount of yarn this loom can treat will increase perhaps threefold. Because we did not consider this factor, we got the disproportions already mentioned.

Therefore, to sum up, we have to make efforts for the interest of socialist countries in proportionality and a correct division of labor to correspond to the interest in value, i.e., that these two factors work in the same direction and do not conflict. To this end we must find ways which lie not only in the theoretical elaboration of the above-mentioned questions but also in working out in detail the methods and forms of this harmony.

In the textbook on political economy, and in a number of other theoretical works the equivalence of exchange as a requirement of the mutual economic and trade relations of socialist countries was stressed. Proletarian internationalism, whose requirement is that countries should strive not just for formal equality but for actual equality, also demands that in the field of economic relations we should not be satisfied with mere equivalence; we should consider it only a basic minimum which must be substantially surpassed. Equivalence is the exchange of like values, but like values can be produced under very different conditions. This is why, even if equivalence is applied in concrete cases, a very great difference in the advantages of economic relations and division of labor can exist between individual participants in the division of labor. This is why in the field of the exchange of goods it is necessary to take care not only of equivalence but also of the conditions under which values are produced in various countries.

By what means can this be done? First, by consistently creating the prerequisites for all socialist countries to take part in production where skilled labor, i.e., advantageous in value, is involved. This means helping to develop a machinery industry in those countries where machine production is still only a small part of the collective production. It is not necessary to worry that an absolute surplus of machines would develop, as is sometimes feared. The demands now made by all branches of industry, and which they will continue to make on the production of machines and tools--demands caused by the rapid

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advance of science and technology, and by the necessities of competition of the machine industry between the world systems--are so grandiose that simply to fulfill them will require a large development of the machinery industry in all socialist countries. This does not mean a haphazard development of machinery industry, but it will be necessary to manufacture machines of the most modern types, highly efficient, and precise, to guarantee a high standard of production, etc. All this will require the solving of a number of very difficult problems, beginning with research, construction, and production technology, the training of workers and technicians to the required standard in countries which have a short industrial tradition, and ending with the securing of financial means not only for the machinery industry but also for construction under capital investment in other branches which are consumers of machines. As individual countries, and this also means countries which at present have no experience in the manufacture of industrial machines, or only a little, gradually become technically able to manufacture even the most complicated types of machines, one of the main obstacles to the rational division of labor in this field will be removed. It is obvious that this field of collaboration must be one of the most important and that on it must be concentrated the activity of all organizations of economic cooperation in the socialist camp.

A planned development of the machinery industry in this respect is but one aspect of the matter. Concurrently with solving this problem we must make sure that in the field of raw materials and semi-finished goods production, as well as in the field of agricultural production, an improvement in the value efficiency of labor will be reached which will make these branches attractive to every country. To achieve this we must overcome the present low efficiency of labor in these branches, that is, in the first place the poor technical equipment and standard of work and the related low standard of skill. The long-range target in these branches of production should be to achieve conditions which would help eliminate the substantial differences in the technical standard of production, and in skill and value efficiency, as compared to highly mechanized branches such as the machinery industry. This means, of course, intense concentration on the improvement of the technical standard of production in branches which at present are lagging. When all branches of production gradually become equally advantageous from the point of view of the value efficiency of labor spent per unit of time, the conditions for a full specialization of production among the socialist countries will gradually develop, as a higher degree of the division of labor not only within individual branches but in entire branches, according to which country offers the best conditions for that particular production.

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This is of course a long-term task. One five-year plan will certainly not be sufficient to fulfill it. This is why we must start solving it as soon as possible and keep it in mind when drafting and harmonizing 15-year plans. But the theoretical solution of these questions is undoubtedly one of the conditions for success.

JOSEF STEFKA

Secretary of the Machinery Industry Commission of the CEMA

In the past few days the Machinery Industry Commission of the CEMA held its third session in Prague. Besides a number of concrete questions regarding coordination, research and development plans, and specialization of production in particular branches of industry, it concerned itself also with the principles according to which the problems of specialization of industrial production should be solved. For this reason the subject of this conference is particularly important to the Machinery Industry Commission, which has already started the practical solving of the problem of specialization in the production of the machinery industry.

The need to work out in more detail the planned character of the international socialist division of labor, and to proceed to higher forms of a planned guarantee of objective proportions of an increased production, directly in the field of production, is felt particularly strongly in the machinery branch. The special character of machine production makes the solution of this problem even more complex than it is in other branches of national economy. This special character includes: (a) a particularly large nomenclature of machine production, (b) a close connection between the development of machine production and the development of other branches of national economy, and (c) the influence of foreign trade on machine production and all aspects related to it.

The connection between the development of the machinery industry and other branches of national economy requires that, when working on specialization of machine production, we should be familiar with the planned development of these branches over a longer period. As a result, the agreed-upon international division of labor in the machinery industry is very sensitive to changes in the plans of other branches. Thus, the Eighth Congress of the Council [CEMA] and its decision to start work on the coordination of long-term plans for the development of national economies until 1957 must be considered cornerstones in the work of the Council, because this will constitute a reliable basis for specialization of production among countries which are members of the Council.

In view of the large nomenclature of the products, the Machinery Industry Commission intends to proceed with the specialization of production according to the method of the main article, and to concentrate the work on:

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1. The most important machines and equipment which guarantee complex solution of the proportional development of the national economies of the member states; the introduction of modern automatic technological processes, mechanization of heavy work, and elimination of manual labor;

2. Types of machines and equipment which are lacking and those machines and equipment where through the division of labor and concentration of production the greatest economic effect can be produced;

3. Specialization of production and the question of cooperation which must be considered concurrently.

When designating the countries or the producer countries, the determining factors are natural and economic conditions in the given countries, i.e., the present and future foundry base or reliable guaranteed supplies of raw materials and materials in general.

In countries with an inadequate foundry base it is well to develop industrial branches which need less metal and more labor, although this principle cannot be applied without exception.

The fundamental aim of the development of machine production should correspond to the character of the basic industrial funds; when effecting specialization it is necessary to respect both the present and the prospective standard of machine production, the existing production capacities, the country's own requirements for machines and equipment, and those for export, the possibility of utilizing skilled cadres, etc.

The specialization of production should not be limited to a certain period but should have a validity unlimited in time. This of course does not mean that corrections cannot be made in accepted specialization in cases where, for instance, the direction of technical development has changed or if the need for the given products has changed basically.

Experience gained up to now from the work of the Machinery Industry Commission and from implementation of the decisions of the Seventh Congress of the Council demonstrates how important it is, before making a decision concerning specialization, to investigate the long-term needs for machines and equipment (including the needs for export), the available capacities and possibilities for their increase, to analyze investments necessary to effect the specialization and the possibilities of individual countries for the execution of the plans both as to size and period of time.

Moreover, it is necessary to analyze the proposed specializations from the point of view of their influence on the balance of payments the countries.

And here we come to the most acute problem--that of realizing the proposed specialization of production by means of foreign trade. Up to now the payment capabilities of the countries were the most frequent cause of difficulties in executing decisions on the specialization of machine production. And what is more, the expected payment



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difficulties are the reason given for continuing or even for starting production which is clearly unprofitable. Here we have not yet found a reliable method. This is why it is so important to consider the payment balances when coordinating the long-term plans and to follow the dynamics of their composition at least in the outlines. A multilateral clearing can become an effective means of executing the specialization of production.

To conclude, a few words concerning the international division of labor in industrial research and development. The experience gained by the Machinery Industry Commission during the past year shows the usefulness of a multilateral coordination of plans for research and development work. It is the way to speed up technical development, to economize the labor of the most skilled workers--researchers and constructors--by eliminating unnecessary parallelisms in their work.

This cooperation coupled with direct contacts between the best specialists of our countries creates extraordinarily favorable conditions for their scientific and technical development. Gradually we are coming to the formation of international collectives of constructors and researchers from countries which are members of the Council, whose task will be to solve the most complicated problems.

Correct division of labor in the machinery industry, in production as well as in research and development, will have a significant influence on the fulfillment of the basic economic task of our countries: to reach and surpass the capitalist countries in production and per-capita production.

SUMMARY OF THE DISCUSSION REPORTS

Dr. JAN TAUBER, Docent

Corresponding Member of the Czechoslovak Academy of Agricultural Sciences

Dr. Tauber spoke about the cooperation of the socialist countries in the field of agriculture. He showed that in 1947 Czechoslovakia had already made efforts toward effective international cooperation in the field of agriculture and forestry. Agricultural economists concern themselves with questions of specialization and zoning at the central workshop for agricultural research--the Czechoslovak Academy of Agricultural Sciences--which has worked out valuable principles for the culture of individual types and species of crops and for raising individual species of animals and various breeds. The elaboration of these questions must become the basis of international zoning and specialization, particularly when other allied countries also finish their work. Nevertheless, it is already possible to decide that traditional commodities will be produced in those countries where the best conditions exist (i.e., hops in Czechoslovakia, tobacco in Bulgaria, etc.).

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To determine which countries will produce goods which do not have a definite designation of the place of production must be the subject of a study by research institutes of the individual countries and of a subsequent agreement. When deciding this, it is necessary to take into account a number of factors--not only economic but also natural--which have a determining influence on the individual branches of agricultural production. The coordination of agricultural production must be carried out with consideration for production coordination in the field of industry and it must be analyzed as one complex problem.

In the notes concerning experience from coordination of plans and mutual cooperation of individual places of work, Dr. Tauber stressed the importance of direct cooperation between the various research institutes and individual research workers.

Dr. SLAVOMIR JIRANEK  
State Bank of Czechoslovakia

Discussing possibilities of multilateral trade and payment relations on the socialist world market, Dr. Jiranek pointed out the disadvantages and defects of the present system of bilateral trade and payment relations. The principle of an equalized balance between two participating countries cannot help the cooperation between countries of the socialist market. It does not contribute fully to the widening of foreign trade and to an appropriate expansion of the international division of labor. Each country strives to keep an equalized balance with the other country, although it would be more advantageous for each country, and thus for the entire socialist system, if in the relations of one country with other countries there was an excess of imports in some cases and an excess of exports in others, thus permitting a better coordination of production of individual countries and their cooperation and necessary specialization of production according to the peculiar conditions of each given country. This would guarantee a better international division of labor and a quicker pace of development of each country and of the entire world socialist system. All this can be substantially helped by financial and payment relations.

A further capital drawback to this system of balanced bilateral relations, besides the equality and bilaterality, is the form of the billing itself, in which the value relations are imperfectly expressed and slip into the background. This means that the payment relations have not become an adequate tool of the development of production in individual socialist countries and consequently in the entire socialist system, that they have not become the tool for the necessary planned cooperation and specialization within the frame of the planned coordination of the production of the entire socialist system. Dr. Jiranek further pointed out the necessity of adopting the higher form of the exchange of goods which is the multilateral exchange of goods among socialist countries. These higher forms will help the development of

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trade relations and the broadening of the international division of labor on the socialist world market. A single basis for the delivery of these so-called "multilateral" goods must exist for the entire socialist system, and this basis is the world price. The principle of the world price for these multilateral exchanges of goods cannot present such difficulties as in the cases of bilateral discussions and bilateral trade agreements. Dr. Jiranek has come up with a number of propositions concerning the method of billing these multilateral deliveries. Various forms of payment relations can, among other things, also permit better utilization of value relations and can make the payment relations a better instrument of the development of the production forces of every socialist country, and consequently of the entire socialist system, while strengthening the relations of a planned proportional development among socialist countries.

Dr. PRAVOSLAV KAUTSKY

Economic Institute of the Czechoslovak Academy of Sciences

Dr. Kautsky spoke on the important position of the Chinese People's Republic among the countries of the socialist system. He pointed to the great successes achieved in establishing socialism in China and said China will have ever-increasing importance in the international division of labor. For these reasons it is necessary to broaden the international division of labor not only among European countries of the socialist system but also with respect to the long-range development of China. Long-term plans for an effective international division of labor should consider the participation of China in the development of the international division of labor within the entire socialist system. The CEMA should pay special attention to this problem because the full exploitation of the resources of the Chinese People's Republic will mean a decisive strengthening of the material production basis of the world socialist system.

JOSEF DITERT

Technical-Organization Research Institute of the Machinery Industry

He outlined the relations of the machinery industry to the international division of labor. He pointed out the connection between the profitableness of foreign trade and a suitable specialization of production programs. Smaller production series and a smaller number of technical personnel to prepare and service production must necessarily lead to a less effective industrial production in foreign trade as well as on the domestic market.

Further, he stressed the tasks which the machinery industry must fulfill in order to bring about a substantial improvement of the international division of labor. The raw material basis must be secured either by the country's own endeavors or by international cooperation, and this must be done not only in regard to quantity but also cheaply. By carrying out a correct investment policy in the production of work means it is necessary to secure an adequate supply of scrap iron for

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our foundries and to lower the high material expenditures by limiting the wide assortment of products and by a specialization of production. Moreover, in carrying out the enlarged production not only quantity but also quality must be kept in mind. (For instance, if we want to get a certain performance from an aggregate, we can manufacture several production units with a lower capacity or only one with a higher capacity, etc. This will substantially influence the production processes because aggregates can be manufactured with the available capacities or we have to build new capacities, employ a certain number of new workers, etc.) The machinery industry must be developed in a complex manner, while securing modern foundry and chemical materials and concentrating scientific and technical personnel. A very important part of the development of the machinery industry is to direct machine production on the basis of a long-term plan with an adequate advance of scientific and technical work necessary for starting production.

The necessity of our participation in the international division of labor does not stem from the fact that we would not be able to manufacture ourselves all that we need. The question is when we can produce it and at what cost. For this reason we must carry out the specialization which is a prerequisite to the improved effectiveness and successful implementation of the international division of labor.

Dr. VLADIMIR HOSPODKA

Transport Research Institute

Dr. Hospodka dealt with the important question of transportation in the international division of labor. He demonstrated that the extent of transportation work is in direct relation to the development of the international division of labor, as well as to the natural and economic conditions of the individual socialist countries, while the proportions between transportation and other production within the countries must be in harmony with the proportions between transportation and other production in the socialist system as a whole.

The technical capacity of transportation in individual countries as well as in the entire world socialist system is very closely related to questions of the repartition of production programs between plants, of cooperation and specialization of production, and of economic zoning of production, or, in other words, to the question of socialist distribution of production forces in its broadest sense.

It is necessary to examine scientifically the possibilities of the economic optimum of unavoidable transportation and to do it complexly, not only as regards relations with other countries but also those within a country. The economic optimum of transportation work in general will be reached on the assumption that each country will be specialized in a certain sense. To this general condition we must add other conditions, the most important of which are the following:

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1. To achieve a minimum of transportation, i.e., a minimum of ton-kilometers;
2. To achieve a minimum of value of transportation production;
3. To achieve a maximum of collective productivity of labor in the entire socialist world system as well as in the individual countries, with a minimum of labor invested in production and in transportation.
4. To achieve a maximum of collective productivity of labor in the entire socialist world system and in individual countries, while exploiting to the utmost the technical base and degree of technology of transportation;
5. The possibility of tying up transaction means with storage which permits a better coordination of transportation between the socialist countries and a better utilization of their transportation branches.

The scope and quality of transportation performances follow from the international division of labor implementation of which requires a profound and complex analysis of the economic suitability of the present transportation relations between individual socialist countries (e.g., examine the question of whether it is advantageous to import less valuable or refined ore, or even semifinished foundry products).

In carrying out the requirements of a coordinated build up of the transportation system within the socialist bloc, the socialist countries should build their own transportation systems to correspond to the expanded production within the country as well as that of the entire socialist system, without suppressing the peculiarities of the individual transportation systems, based on favorable natural conditions of each country.

Docent VILIAM CERNIANSKY

Chairman of Economics of Foreign Trade of the High Economic Institute

He dealt with the relations between international division of labor and foreign trade. In his conception international division of labor and foreign trade are but two aspects of the same thing, between which there exists the general mutual relationship of cause and result. Their common general result is the saving of collective work. The relation between the common substance of the international division of labor and of the foreign trade connected with it and between the substance of the international division of labor and of foreign trade under socialist conditions is the relation between the general and the particular. General is what is common to every division of labor and every exchange, that is, the general meaning of both these occurrences in their unity is in the saving of collective work. Particular is under what specified conditions these occurrences happen. He demonstrated that Ricardo correctly expressed the common basis, i.e., that international division of labor permits saving of collective work, but he was wrong in the specific substance when he asserted that free trade and competition create the most effective division of labor.

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Gerniansky criticized the incorrect conception of foreign trade which proclaimed that foreign trade is a certain accessory segment of national economy. This conception follows from a misunderstanding of the common basis of foreign trade and of its importance for the saving of collective work. Foreign trade is an inseparable part of national economy. Foreign trade must be actively used to get the highest possible saving of collective labor and to increase to the utmost the production forces of our national labor through the most advantageous linking of our national economy with the international division of labor.

Dr. MILOS STADNIK, Docent  
Economic Institute of the Czechoslovak Academy of Sciences

He treated the problem of evaluating and comparing the standard of living in the socialist countries in connection with the analysis of the international division of labor. This question is very important for the correct carrying out of the international division of labor, whose results are finally reflected in the improved living standard of the people.

Dr. Stadnik criticized the incorrect procedure when comparing national income and the standard of living in capitalist and underdeveloped countries, the inexactitudes when comparing consumer baskets, and he demonstrated how problematic it is to determine and compare family bills, etc.

He stated that a complete characterization of the standard of living of the working classes will require clarification of the absolute level and dynamics of the following factors in particular: the amount and proportion of national income which is at the disposition of the working people, the extent of employment and unemployment (complete and partial), the number of dependents per worker, the working conditions (number of work hours, vacations, safety measures at the place of work, accident and illness rate, health and hygienic conditions, questions of invalidism, protection of woman and child labor, etc.), the volume of consumption, the amount of savings, and such living conditions as housing, communal services, social and medical care, education of children, etc. Furthermore, the characterization of the standard of living will also need data on birth and death rates, life span, duration of earning capacity and on the physical development of young people. The type of personal transportation, recreational facilities, etc., will also affect the standard of living.

Dr. Stadnik demonstrated the complexity of the problem of comparing standards of living and presented the solution and the first results of research in this field which is conducted in the Economic Institute of the Czechoslovak Academy of Sciences.

Messrs. VOGL and SLAVOMIR JIRANEK  
State Bank of Czechoslovakia

They pointed out that countries with higher and lower levels of production forces exist in the socialist camp. This fact has created a conflict which is, however, being solved and will continue to be solved through credit. Credit represents a suitable exploitation of the value relations and substantially helps the fulfillment of basic economic tasks. In theory and in practice, the postulate often appears that the exchange of goods should be done on the basis of national values so as to adjust gradually the lower level of production means of some countries of the socialist camp. A better solution, which will eliminate these differences in the levels of development of production means, can be found in the exchange of goods on the basis of world price, while at the same time it is necessary to give effective help to economically less developed countries of the socialist camp through credits.

They further dealt with the use of credit to develop economically less advanced countries, including countries with capitalist production relations. They came to the conclusion that there are no objections to a participation of capital in economically little developed countries but that in concrete cases it is necessary to weigh carefully the possible adverse political consequences. In their opinion the CEMA would be a suitable center for coordination of the concrete transactions for the centralization of the offer and demand service and for the elaboration of a common economic policy toward economically less developed countries. However, the proposal to establish an investment bank, common to all socialist countries, whose task it would be to allocate credits to economically little developed countries for the purpose of importing investments from socialist countries, to organize the offer and demand service, and to decide on a unified credit policy, seems much more effective and suitable.

JAN VANEK

Chair of Political Economy of the Law Faculty of Karlovy University

Contributing to the discussion, he spoke about Ricardo's theory of comparable expenditures and the possibility of its use on the socialist world market. He believes that the only correct thing about Ricardo's theory of comparable expenditure is the doctrine that each country should produce for the world market those goods for which it has the most favorable conditions, and that all the rest of Ricardo's theory is incorrect, whether applied in general or in particular, i.e., only in capitalism. The second problem discussed by Jan Vanek is the question of monopolistic prices on the capitalist world market.

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Monopolies are a permanent feature of the monopolistic stage of capitalism; they arise and exist not for the purpose of reaching temporary high prices (only corners and rings have such a purpose) but to attain permanently high monopolistic prices. If monopolistic prices were not relatively permanent, not even the monopolies would be permanent because monopolies without a monopolistic position on the market and without monopolistic prices would actually make no sense. Monopolistic high prices do not exist only in periods of conjuncture. But they are fixed only for certain products, and if we follow the prices of the capitalist world market, we cannot find monopolistic prices for those products which are not the subject of grade of international monopolies.

FRANTISEK HERBST

Deputy President of the State Statistical Institute

In his contribution, he concentrated especially on the question of forms, and the necessity of relations in the field of statistics in connection with the carrying out of the international division of labor. He demonstrated that it is necessary to work out a unified methodology for compiling statistical data which would permit comparison of figures and thus get a reliable picture of the national economy of each country. These data would also serve as a basis for the analysis of the results of the international division of labor. At the same time, individual figures from all socialist countries must be at the disposition of a central office which will compile these data.

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